

Message Text

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PAGE 01 CARACA 10927 111211Z

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SUBJECT: MAJOR PROJECT: RAILROAD

REF: CARACAS 10177

SUMMARY: PROBLEMS WITH RAILROAD PROJECT BIDDING
REQUIREMENTS DISCUSSED BY VARIOUS COUNTRIES' E/C OFFICERS
IN CARACAS. THEY CONSIDERED POSTPONEMENT OF BID LIKELY.
CANADIAN CONSORTIUM SUGGESTING 60 REVISIONS IN BID
PROCEDURE. SPANISH AND BRAZILIAN CONSORTIA EXPECTED
BID WITHOUT QUALIFICATION AND SPANISH COMMERCIAL COUNSELOR
CONFIDENT. MORRISON KNUDSEN STILL INTERESTED BUT WAITING
FOR DECISION ON GURI DAM PROJECT BEFORE EXPENDING MORE EFFORT.
END SUMMARY.

1. THE DIFFICULTIES OTHER CONSORTIA ARE HAVING WITH
BIDDING ON THE RAILROAD PROJECT WAS A TOPIC OF
DISCUSSION AT THE MONTHLY LUNCHEON MEETING OF THE
ECONOMIC/COMMERCIAL OFFICERS OF THE OECD EMBASSIES IN
CARACAS. PRESENT WERE OFFICERS FROM CANADA, FRANCE,
ITALY, JAPAN AND U.S. ALL REPORTED HAVING SEVERE
PROBLEMS WITH THE BIDDING REQUIREMENTS, PRIMARILY IN
TWO AREAS: THE LEGAL INCORPORATION OF THE COMPANY IN
VENEZUELA WHICH WOULD CARRY OUT THE WORK AND THE
HEAVY PERFORMANCE BONDING REQUIREMENTS.

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PAGE 02 CARACA 10927 111211Z

2. SEVERAL REPORTED THAT IT WAS THEIR UNDERSTANDING THAT MORE THAN HALF OF THE CONSORTA HAD REQUESTED A POSTPONEMENT OF THE BID DEADLINE UNTIL JANUARY 15 AND THAT, CONSEQUENTLY, THE RAILROAD INSTITUTE WOULD GRANT AN EXTENSION. ONE PARTICIPANT REPORTED THAT IT WAS HIS UNDERSTANDING THAT THE BRAZILIAN AND SPANISH CONSORTA HAD INDICATED TO THE RAILROAD INSTITUTE THAT THEY WERE WILLING TO SATISFY ALL, REPEAT ALL, THE BID REQUIREMENTS.

3. FROM THOSE PRESENT, THE FOLLOWING OTHER POINTS CAME UP: THE FRENCH COMMERCIAL COUNSELOR WAS THE LEADER OF THE DISCUSSION AND WAS MOST VOCIFEROUS IN ADVANCING HIS CONSORTIUM'S COMPLAINTS. HE INDICATED THAT THE FRENCH HAD INFORMALLY REQUESTED AN EXTENSION. (THIS REPRESENTS A CHANGE FROM PARAGRAPH SIX OF REFTEL). CANADA HAS NOT YET FORMALLY REQUESTED DELAY BUT IS READY TO PRESENT AMEMORANDUM SUGGESTING CHANGES IN SIXTY PARAGRAPHS OF THE BIDDING REQUIREMENTS. THE CANADIAN COMMERCIAL ATTACHE ALSO REPORTED THAT IN A DISCUSSION WITH THE RAILROAD INSTITUTE, THE LATTER HAD INDICATED THE POSSIBILITY OF LIMITING THE EXPOSURE OF COST OVER-RUNS TO 30 PERCENT OF THE TOTAL BID PRICE. (COMMENT: THIS, IF TRUE, WOULD REPRESENT A CONSIDERABLE CONCESSION. THIS POINT NEEDS TO BE CLARIFIED) ITALY AND JAPAN HAVE THE SAME GENERAL PROBLEMS, APPARENTLY, BUT WERE LESS FORTHCOMING. THE JAPANESE CONSORIUM APPARENTLY CONSULTED WITH THE FRENCH CONSORIUM AND SOUGHT CONTACT WITH MORRISON-KNUDSEN INTERNATIONAL.

4. L.N. SPENCER, PRESIDENT AND MANAGING DIRECTOR OF MORRISON-KNUDSEN INTERNATIONAL COMPANY, INC. AND FRANK H. PEAVEY VISITED THE EMBASSY EARLIER IN THE DAY AND INDICATED THAT THEY WERE STILL INTERESTED IN BIDDING ON THE PROJECT BUT THAT THEY HAD NOT YET EXPENDED ANY GREAT EFFORT IN PREPARING THEIR BID. THEY ALSO INDICATED THAT IF THEY WERE SUCCESSFUL ON THE GURI DAM EXPANSION (THEY BELIEVE THEIR CHANCES ARE 50-50), THEY PROBABLY WOULD HAVE DIFFICULTY IN ALSO HANDLING THE RAILROAD PROJECT. MR. PEAVY WAS THE MORE SANGUINE OF THE TWO IN THIS REGARD WHILE MR. SPENCER WAS CLEARLY AGAINST

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PAGE 03 CARACA 10927 111211Z

TRYING TO HANDLE BOTH PROJECTS AT ONCE. WE INFORMED SPENCER OF THE GIST OF PARAGRAPHS 1-3 AND ENCOURAGED MKI TO INVITE RAILROAD INSTITUTE PERSONNEL TO THE US FOR ORIENTATION SESSIONS AS PULLMAN IS PLANNING TO DO.

5. SUBSEQUENTLY, EMBOFF CALLED ON COMMERCIAL COUNSELOR OF EMBASSY OF SPAIN. HE EXPRESSED FULL CONFIDENCE THAT THE SPANISH CONSORIUM, LED BY THE INSTITUTO NACIONAL

DE INDUSTRIA, WOULD PRESENT A LOW BID WHICH WOULD FULLY
SATISFY ALL, REPEAT ALL, OF THE RAILROAD INSTITUTE'S
EXIGENCIES. HE DENIED ANY PROBLEM WITH THE SIZE OR
COMPLEXITY OF THE CIVIL WORKS PORTION, STATING THAT
SPAIN HAD SUCCESSFULLY BUILT CONSIDERABLE NEW TRACKAGE
IN ROUGHER TERRAIN. HE DEPRECATED THE CAPABILITY OF
THE BRAZILIAN CONTRACTORS AND CONSIDERED CANADA AND THE
FRG AS SPAIN'S STRONGEST COMPETITION.

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